

TaxNewsFlash

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Proposed regulations: Tax-exempt private activity bonds, issued by state and local governments, public approval requirements

The U.S. Treasury Department and IRS today released for publication in the Federal Register proposed regulations (REG-128841-07) concerning the “public approval requirement” under section 147(f) for tax-exempt private activity bonds issued by state and local governments.

In general, under section 103, interest received by investors on eligible state and local bonds is tax-exempt for federal income tax purposes. Interest on private activity bonds qualifies for this tax-exempt treatment only if the bonds satisfy the requirements as “qualified bonds” (defined by section 141(e) and other applicable requirements under section 103). Section 141(e) requires, among other things, that qualified bonds meet the public approval requirement of section 147(f).

The [proposed regulations](#) [PDF 283 KB] would update the existing regulations on the public approval requirement to:

- Reflect statutory changes
- Streamline the public approval process
- Reduce the burden on and provide greater flexibility for state and local governments that issue tax-exempt private activity bonds

The proposed regulations (according to the preamble) recognize advances in technology and electronic communication that may facilitate more streamlined procedures for providing reasonable public notice of a public hearing.

Today’s proposed regulations withdraw two previous notices of proposed rulemaking, the most recent having been proposed in 2008. Comments and requests for a public

hearing about today's proposed regulations must be received by a date that is 90 days after they are published in the Federal Register (scheduled for September 28, 2017).

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